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Market access: developments since the Uruguay Round, implications, opportunities and challenges, in particular for the developing countries and the least developed among them, in the context of globalization and liberalization

President's summary of the high-level segment of the Economic and Social Council

(6–8 July 1998)

1. The high-level segment of the substantive session of 1998 of the Economic and Social Council took place from 6 to 8 July 1998. Following opening statements by the President of the Council and by the Secretary-General of the United Nations, the Council held a high-level policy dialogue with the Managing Director of the International Monetary Fund (IMF), the President of the World Bank, the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) and the Deputy Director-General of the World Trade Organization on developments in the world economy. Upon conclusion of the high-level policy dialogue with the heads of the international financial institutions and the trade organizations, the Council conducted a high-level debate on the theme of "Market access: developments since the Uruguay Round, implications, opportunities and challenges, in particular for the developing countries and the least developed among them, in the context of globalization and liberalization", at the closing of which the Council, for the first time in its history, adopted a ministerial communiqué.

2. A panel discussion moderated by the Deputy-Secretary-General was held on 7 July; the panellists were Mr. F. Bergsten, Director, Institute for International Economics; J. Bhagwati, Professor, Columbia University; and Ms. M. Livanos Cattaui, Secretary-General, International Chamber of Commerce. The subject of the panel was "Market access: perspective beyond the Uruguay Round".

I. Opening statements

3. The President of the Council in his opening statement referred to the current economic crisis in Asia which had made it clear that integration into the global market could bring great benefits, but carried serious risks if not managed well. No country was able to remain insulated from the consequences of events occurring elsewhere. It was of paramount importance to develop a global rapid response capacity in which Governments and international institutions together with the private sector, trade unions and civil society organizations could cooperate to effectively forestall crises and address them expeditiously when they occurred. The current strains in the international financial and trading system served to highlight the need to orient the forces of

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globalization towards greater balance among the imperatives of economic growth, social equity, workers' rights, gender equality and environmental protection. This posed a global challenge to all international institutions and tested the effectiveness of the multilateral system as a whole.

4. He stressed that by now it was abundantly clear no single international organization or country, acting individually, with its own set of policy measures and its own interpretation of events, had any meaningful chance to help steer the world towards greater economic and social stability. It was necessary to progressively develop an integrated policy outlook reflecting common objectives of the international community. It was not possible to pursue independent sectoral policies to deal with integrated, multifaceted and systemic problems. This and future policy dialogues, the President observed, provided an opportunity for the Council to help develop a shared understanding of issues and devise a broad policy orientation to address them.

5. The Secretary-General in his statement noted that global conditions today offered unprecedented prospects for peace and security. Yet, the international community seemed ill-equipped to fully harness that tremendous potential. Tremendous wealth existed alongside chronic destitution. People around the world were torn between the hopes engendered by decades of remarkable progress and the fear of future upheavals. Those hopes and fears were global, as were the economy and markets. However, politics were local and there was a widening gap between what citizens demanded and what Governments could deliver. While there was every reason to treasure and nurture the achievements brought about by the international trading system, the Asian crisis was a reminder of how factors such as finance, economics and socio-political forces were working in tandem to shape, and, at times, shake up the world.

6. The Secretary-General stated that for the United Nations three broad observations were paramount. First, the crisis had had its most devastating effect on the marginalization of society. It threatened to undo years of progress in alleviating poverty and advancing the rights of women. Second, developing countries were less able than their developed counterparts to withstand the fallout of the crisis. Third, interdependence among nations had an essential complement – interdependence among issues. Finance, trade, governance and social equity were intimately linked.

7. The open, inclusive, global economy was the most promising means of widely spreading the benefits of globalization, the Secretary-General stressed. At the same time, the fear of globalization had to be taken seriously. The challenge for Governments was to show that global imperatives could coexist with local needs. Choices had to be made between the confinement to purely local points of view and the adoption of a more global perspective. One key question was whether the international community would choose to use the institutions at its disposal. There was really no choice, as it would be grievous for the international community to retreat from multilateralism.

II. Policy dialogue

8. The Managing Director of IMF stated that the international community must support the adjustment programmes of the countries most severely affected by the Asian crisis. It was also vital that countries with balance-of-payment surpluses recycle those surpluses in the form of untied loans and humanitarian aid to countries in the process of adjustment. As creditors, they should stand ready to grant generous terms for the restructuring of their claims and support economic recovery in Asia through new loans. Above all, those countries should keep their markets open. Countries that pursued strong, progressive trade liberalization, in the context of general economic reforms and market-oriented policies, would achieve growth and increased trade performance. For their part, industrialized countries should liberalize import restrictions. However, they should avoid replacing tariffs and non-tariff barriers with administered protection measures, such as anti-dumping restrictions.

9. Working with the World Bank, IMF was exploring ways to accelerate public enterprise and financial sector reforms, to improve the assessment of medium-term investments needs and the capacity to absorb external financing, and to identify potential adverse social consequences of reforms. In order to make the world less prone to financial crises, the Fund's surveillance had to become more effective and the transparency of international finance had to be enhanced. IMF could play a central role in crisis prevention by encouraging members to strengthen their macroeconomic policies and financial sectors.

10. The President of the World Bank stated that the Bank had sought to assist the countries hardest-hit by the Asian financial crisis. The crisis was not localized and issues in South-East Asia had affected all countries in different ways. The World Bank had also focused on the structural and social aspect of the crisis, with particular attention to poverty-related matters. Attempts had been made to deal with the segments of the economy most affected, including rural areas, so as to ensure provision of basic social

programming that offered people a sense of hope. There could be no peace and stability without social stability and hope. Efforts were under way in the financial, judicial and regulatory systems to provide a framework essential for the success of the work of IMF. Before gaining access to markets, countries must establish a fundamental economic base, including infrastructure and a capacity to attract foreign investment. Helping countries to build such a framework was one of the essential functions of the World Bank. Also, transparency between borrower and lender countries was necessary in order to avoid the distortions that came from corruption, crime and the divergence of funds.

11. The Secretary-General of UNCTAD stressed that the Asian crisis had hit the poor particularly hard, in terms of sharp falls in commodities and in the export prices of some goods. The recent financial crises had occurred because the Governments concerned, among others, had failed to manage their countries' integration into the capital markets. Well-calibrated national policies could help manage financial crises, limit their potential for lasting damage and re-establish economic growth. Yet, when an economic crisis became a systemic problem, action was also needed at the global level. The Asian crisis was only the latest in a string of financial crises that had disrupted the global economy since the breakdown of the Bretton Woods system. The international community still needed to learn how to manage such economic turmoil. It would be useful to conduct an honest re-evaluation of the international policy response to assess its achievements and failures. He also noted that it was much more difficult to manage integration into international capital markets than it was to achieve successful insertion into the international trading system. Developing countries should not be pushed or pressured into premature financial liberalization, as this would deny them the option of protecting their economies from international financial instability and volatile speculative capital flows.

12. The Deputy Director-General of the World Trade Organization, stated that the fiftieth anniversary of the multilateral trading system six weeks before had demonstrated the virtual consensus throughout every region on the validity of open trade and economic integration under the rule of law. More and more, the ground rules provided by the World Trade Organization reached across, into and around other issues and concerns – ranging from investment and competition policy, to environmental, development, health and social policies. The various challenges needed to be faced as constituting pieces of a larger policy that demanded broader and more integrated solutions. Developing countries were increasingly represented in the world's trading system. This reflected the emergence of many of these countries as important trading powers in their own right. Perhaps most significant of all was the establishment of improved binding mechanisms for settling trade disputes. Even the smallest country could now look to the World Trade Organization in defence of its interests on the basis of shared and enforceable rules. Still, a variety of non-tariff measures continued to restrict exports from developing countries, and the fact that national and international product standards were difficult to meet led to reduced exports opportunities for least developed countries. Also, in the field of trade in services, much scope remained for further liberalization.

13. In the ensuing exchange of the Council with the Managing Director of IMF, the President of the World Bank and the Secretary-General of UNCTAD, considerable attention was paid to the Asian crisis. It was noted, in this regard that, while inadequacies in domestic financial and monetary policies had played a major part in leading to the problems that countries faced in Asia and elsewhere, those problems would not have reached such proportions if lending institutions operating in the international markets had not taken excessive risks. Concern was also expressed about the recent weakness of the yen which posed a crisis within the crisis. This weakness could seriously jeopardize the ongoing recovery in some countries.

14. With respect to preventing future crises, it was observed that the severity and the speed of the Asian crisis had highlighted the need for rapid global response capacity to prevent and deal with future crises. This would require the strengthening and adaptation of multilateral institutions and greater coherence in policy-making. An honest re-evaluation of the international policy response – without any preconceptions or prejudice – was also needed. Furthermore, constant vigilance by all countries over all socio-economic parameters had to be maintained. In particular, soundness of the banking system, avoidance of the unsustainable accumulation of short-term financing, and the transparent and accountable character of governance were seen as essential. Also, transparency in international lending and borrowing were crucially important in order to deal with excessive short-term and speculative capital flows and problems of corruption and debt management in the economy. More effective procedures for involving the private sector in preventing and resolving the debt crisis also needed to be established. In addition, in order to reap the benefits of globalization while minimizing its risks, developing countries should continue to liberalize trade and capital controls, paying due attention to sequencing and the soundness of the financial and balance-of-payments situation. At the same time, developing countries should not

be pushed into premature financial liberalization. The fruitful dialogue on these issues at the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, held on 18 April 1998, was widely noted and a call was made to hold similar meetings in the future.

15. With regard to trade liberalization and market access, it was noted that they should also be seen in the context of poverty eradication, the ultimate goal of development efforts. In this context, ensuring the provision of basic services, creating adequate infrastructure and investing in human development were all necessary prerequisites of a developing country's benefiting from any enhancement of global market access for its goods. It was also noted that numerous tariff – and non-tariff – barriers remained, as well as tariff peaks and escalation, which affected developing countries' exports. Liberalization should continue in these and other trade areas. Furthermore, the international trading system could not be viewed in isolation from other developmental concerns, nor from other related issues. Therefore, the future multilateral trade agenda should aim at broad-based liberalization of trade.

16. Concerning coherence of the United Nations system, it was stressed that cooperation and coordination within the United Nations system, between the United Nations and the international financial institutions, and between the United Nations and the World Trade Organization were crucial for preparing future trade negotiations and addressing other major challenges. At the same, it was noted that within the United Nations system, a substantial increase of dialogue and working together had already been achieved; the challenge was to build upon the progress made to achieve greater complementarity and coherence in the management of the global economy.

III. High-level debate

17. It was generally agreed that liberalized world trade was essential in promoting growth and development and in eradicating poverty.

18. Full commitment to the multilateral trading system was expressed. The Uruguay Round of multilateral trade negotiations had resulted in a more open, rule-based and predictable multilateral trading system and significant improvement in market access conditions. Full and faithful implementation of the Uruguay Round commitments, which was considered essential for the credibility of the multilateral trading system, was called for.

19. Regret was expressed about the lack of progress in implementing the provisions on special and differential treatment for developing countries, and a strengthened commitment and concrete action to implement these provisions were urged. In this regard, it was recalled that trading partners must guarantee developing countries full market access, and industrialized countries should consider granting unilateral duty-free treatment to developing countries on a preferential basis. However, a number of developed countries did consider the integration of developing countries into the world trading system one of the primary objectives of their development policies, and therefore granted all developing countries, for almost all the exports of those countries, preferential access to their markets.

20. It was pointed out that significant tariffs and other non-tariff barriers to market access remained important impediments in many sectors, a considerable number of which were of particular interest to developing countries and least developed countries. The view was expressed that the implementation of the Uruguay Round was incomplete in many key areas of particular interest to the developing countries. It was noted that there was little commercially meaningful integration of textiles and clothing into the multilateral trading system so far, and that subsidizing agriculture in developed countries impeded developing countries' agricultural exports as well as their efforts to attain food security. On the other hand, it was recalled that the unprecedentedly large number of developing countries that actively participated in the multilateral trade liberalization had derived large benefits from it, including in terms of improved access to the markets of developed countries.

21. The developing of a comprehensive agenda for further trade liberalization that reflected the interests of all members of the World Trade Organization was called for. It was noted that the launching of a millennium round of trade negotiations was crucial for meeting the challenges of a globalized economy and it was argued that negotiations to further liberalize agriculture and services should be placed in a broader negotiating framework that would allow for a balanced treatment of the interests of all members. Support was expressed for a multilateral framework of rules on investment and competition in the services sector and for mainstreaming sustainable development into the multilateral trade liberalization agenda.

22. Reference was made to the agreement at the second Ministerial Conference of the World Trade Organization to establish a work programme in preparation for the next World Trade Organization ministerial meeting. The

developing of a comprehensive agenda for further liberalization, which would reflect the interest of all members and would be able to deliver results in a short time, was called for. Also, all partners were invited to be proactive in setting out their priorities for a multilateral round of trade negotiations.

23. Measures taken by members of the World Trade Organization that were in contravention of the spirit of the multilateral trade agreements, such as contingency measures (for example, transitional safeguard measures, unilateral rules of origin and back-loading in the implementation of the agreement on textile and clothing), were deplored. Developed importing countries were called upon to faithfully work towards integrating fully the textile and clothing sector into the system. The abuse of anti-dumping measures and the use of discriminatory trade actions were among the actions to be rejected. Some delegations stressed that the taking of unilateral measures as well as the enactment of national laws with extraterritorial effects should be totally excluded as an option of trade policy in regard to the multilateral trading system.

24. The mandatory reviews of various agreements, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, the Agreement on Trade-Related Investment Measures and, especially, the Understanding on Rules and Procedures Governing Settlement of Disputes,[1] were seen as being of considerable importance as well. In this regard, it was pointed out that the Disputes Settlement Understanding should, *inter alia*, include greater technical and legal support to developing countries in order to make the World Trade Organization judicial enforcement mechanism more accessible to those countries.

25. The lack of technical abilities of the developing countries was seen as a major constraint on their efforts to take fuller advantage of the multilateral trade agreements. The importance of the provision of the necessary technical assistance to developing countries was underlined. Many delegations referred to their ongoing support to developing countries in this regard, as well as to the preferential market access granted by them to these countries.

26. However, it was noted that securing market access did not by itself guarantee actual export revenues. Competitiveness was based not only on quality and price of products but also on such interrelated factors as good production practices and export financing. Furthermore, comparative advantages were seen as being time-bound and did not guarantee success in the long run.

27. One delegation pointed out that, while promoting and increasing exports were universally accepted as a means to create wealth, the importance of imports was not often accorded similar treatment. His country, which provided liberal market access, was providing jobs at home and around the globe.

28. Sound macroeconomic policies and a legal and economic framework that enhanced the growth of a dynamic private sector were seen as essential in improving countries' capacity to trade. Equally important were an enabling environment for investment, good governance, sound competition policy, fostering of human resources in the areas of trade, trade support services, strengthened public institutions focusing on trade, and trade-related infrastructural development.

29. The view was expressed that a multilateral framework of rules on investment and competition in the service sector should, in particular, provide a stimulant to foreign direct investment. The importance of examining trade issues related to electronic commerce was also emphasized.

30. Integration of the least developed countries in the global trading system was a priority for all. A number of measures to improve their market access conditions and supply capacity were suggested, such as full and effective implementation of the Plan of Action for the least developed countries adopted at the first Ministerial Conference of the World Trade Organization, as well as the Integrated Framework for Trade-Related Technical Assistance, Including for Human and Institutional Capacity-building, to Support Least Developed Countries in Their Trade and Trade-related Activities,[2] adopted at the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development held in October 1997; provision of duty-free access to all products and removal of all quantitative import restrictions for least developed countries; elimination of tariff escalation; and elimination of time-based elements in the special and preferential treatment granted to least developed countries in multilateral trade agreements.

31. Recent preferential actions in favour of least developed countries, including through improvements in generalized system of preference (GSP) schemes, were recounted. It was pointed out that least developed countries themselves needed to continue efforts towards creating a sound macroeconomic framework, including transparent and accountable governance, investment in basic social services and openness to trade and investment.

32. Commitments to assist least developed countries and African countries were reiterated and bilateral initiatives in favour of these countries were brought to the attention of the

Council, and the international community was called upon to continue its effort to enhance market access for products of export interest to Africa and to support Africa's efforts towards diversification and building supply capacity. South-South cooperation in trade and other areas should also be supported.

33. The importance of official development assistance (ODA) was also noted. It was pointed out that ODA ensures external financial flows to countries that have difficulties in mobilizing domestic resources and in attracting foreign direct investment. ODA-financed development in sectors not reached by private flows, and the 0.7 per cent target have lost none of their importance.

34. It was underscored that trade policy had an important role to play in restoring stability and growth in countries affected by the crisis in Asia. Rejection of protectionist measures and a clear commitment to pursue further comprehensive trade and investment liberalization were essential in this respect. The crisis had shown the importance of promoting greater coherence between trade and macroeconomic, social and other policies. In this respect, the United Nations could play an important role in promoting greater awareness of these interactions and developing international norms. Enhanced cooperation between the World Trade Organization and the Bretton Woods institutions was crucial, as was greater cooperation between the United Nations and the World Trade Organization. The World Trade Organization was called upon to reflect on how to better effect a coherence between its activities and the broader needs and concerns of the global economy.

35. The need for promoting the principle of universality in the multilateral trading system, within the framework of the World Trade Organization, was emphasized. Early completion of the accession process was also called for. Many of the countries negotiating entry into the World Trade Organization expected the next round of negotiations to be open for participation of interested countries irrespective of their application for entry into the World Trade Organization. In this regard, it was noted that countries acceding to the World Trade Organization should not be asked for commitments higher than those made by countries that had joined the organization earlier. Early completion of the pending processes for accession was called for.

36. At the same time, it was stressed that regional trading arrangements could make an important contribution to a solid and universal multilateral trading system. Such arrangements could help developing countries achieve integration into the world trading system as they had helped them develop and diversify their market bases. However, these arrangements should be fully consistent with the rules and principles of the international trading system and should maintain the basic tenet of open regionalism. The experience gained through such arrangements could benefit the multilateral trading system.

37. Arguments in favour of making environment and trade policies mutually supportive were also put forward. Reference was made to a recent proposal that the World Trade Organization should convene a high-level meeting on trade and the environment to help overcome the current impasse in discussion and promote the concept of sustainable development in the World Trade Organization agenda.

38. The adoption by the International Labour Organization (ILO) of a Declaration on Fundamental Principles and Rights at Work was welcomed and proposals for a practical follow-up mechanism within ILO were eagerly awaited. To pursue enhanced social and environmental protection through positive incentives, a number of developed countries had recently started providing, through their GSP scheme, additional preferences to those developing countries that had adopted and implemented internationally agreed environmental and social norms.

39. It was also noted that trade conditionalities to enforce non-trading objectives, including those related to labour standards and the environment, could undermine the proper functioning of the multilateral trading system.

40. One delegation referred to the economic blockade of its country by a developed country, which ignored the successive resolutions of the General Assembly condemning that blockade, and called for its total and unconditional elimination.

41. A few other delegations noted the importance of emphasizing the danger of an excessive recourse to the imposing of economic sanctions on developing countries. Two delegations condemned the automatic renewal by the Security Council of economic sanctions against their countries despite the General Assembly's calls to put an end to the punitive and unilateral economic measures. It was pointed out by one delegation that the Assembly had not adopted those resolutions by consensus.

42. One delegation raised the issue of the banana trade and expressed discontent with the World Trade Organization ruling that preferential treatment of African, Caribbean and Pacific (ACP) countries contravened the World Trade Organization's principles. The delegate warned that the implementation of the ruling would bring about a reduction in the living standards of the people of the Caribbean Community (CARICOM) and an acceleration of poverty. A

fundamental reform of the dispute settlement was needed. In a right of reply, one delegation stated that trade dispute settlements based on rules would always lead to situations in which countries won some rulings but lost others.

43. Finally, a view was expressed that the United Nations system as a whole, particularly UNCTAD, should continue to play an active role in helping developing countries through, *inter alia*:

(a) Ensuring a continuum in its work programme between research activities and its capacity-building and technical cooperation functions;

(b) Providing objective and in-depth analyses of the effects of liberalization and of any proposals for further liberalization;

(c) Strengthening the capacity of developing countries to participate in trade negotiations;

(d) Continuing to devote a large part of its work to building and enhancing capacity to trade in developing countries, in particular the least developed countries and those in Africa, and substantially increasing its trade-related technical cooperation;

(e) Strengthening its information and training services, and strengthening technical cooperation to expand export supply capabilities of developing countries;

(f) Promoting better coherence among global development, financial and trade policies so that the ability of the developing countries to benefit from increasing trade was not compromised by imperfections in financial markets;

(g) Ensuring that the structural factors such as debt, inadequate concessional development finance and restrictions on the transfer of technology did not impede the developing countries in respect of their availing themselves of the opportunities presented by the multilateral trading system.

44. In conclusion, many delegations commended UNCTAD and the World Trade Organization for their excellent joint documentation in preparation for the high-level segment and for their support towards its successful outcome.

Notes

[1] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

[2] World Trade Organization document WT/LDC/HL/1/Rev.1.